



“Product-Oriented Businesses Versus Service-Oriented Businesses”

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Every business can be categorized somewhere along the following spectrum:

Product-Oriented ---- Service-Oriented

Most businesses cannot be defined purely as product-oriented or service-oriented; instead, they fall somewhere in between, or they span the entire spectrum. In reality, all businesses are selling products because services can be considered a product, although they are not physical.

Service-Oriented Businesses

A product-oriented business can be a manufacturer that takes raw materials and puts them together to create their own product, which they sell to distributors, who then sell the product to end customers or to other smaller distributors.

It can also be any company along this chain of distribution. The manufacturer uses a fixed process to manufacture or distribute products. This process is independent of any one skill and it can be easily replicated when it is known.

Service-Oriented Businesses

A service-oriented business provides a service rather than a tangible, physical product. A physician, a plumber, or a hair stylist could be considered vendors of service-oriented products.

Admittedly, if you consider every type of business, you will see that most of them overlap both areas, and many businesses (especially large ones) offer a combination of products and services.



How does your company make money?

To answer this question, you have to identify your products and or services that you generate revenue with. If you are an artist that generates a monthly oil painting, for example, you could be considered a product-oriented business because essentially you are manufacturing your products and distributing these products to your customers. You are not providing a service.

One aspect of your business is worthy of discussion. The fact that you are the only person on earth that can manufacture the product (paintings) you sell means that this product is highly proprietary, and if something happens to you such that you can no longer manufacture products, then your business will come to an end—unless you are also selling prints, or other related products with more revenue stability.